

Future of Core Banking Systems



The world of banking has transformed over the years. Customer experience has now become a key differentiator. Personalization, speed, convenience, and security have evolved as factors that determine profitability.

To keep pace with the changing customer expectations and the competitive landscape, banks need to modernize their [core banking](#) platform. Only then can they scale technology innovation, upgrade processes, and re-engineer their workforce to deliver mobile-first, personalized customer experiences while reducing cost and complexities.

So, what is core banking?

Centralized Online Real-time Environment (CORE) banking platforms to facilitate branch agnostic transactions from any part of the world. It provides a singular view of customer data to facilitate information flow and operational excellence across delivery channels. Hosted on-premises or in the cloud, core banking simplifies services such as new account creation, customer relationship management, transaction processing, loan issuing, and servicing.

Genesis of Core Banking System (CBS)

Core banking is not a new phenomenon. It started out in the 1970s and has grown stronger and customer-centric over four generations.

- 1st generation CBS – Basic computerization banking
- 2nd generation CBS – Product-centric digital interface
- 3rd generation CBS – Customer-centric processes
- 4th generation CBS – Next-gen banking via platformization

Let's start with the latest next-gen core banking.

- **4th generation (2020 onwards): Next-gen banking via platformization**

The 4th generation core banking platforms are the future of banking. Platformization of CBS is a crucial development for banks, from being only a system to becoming a complete platform. Going beyond traditional models, core banking platforms gives banks the agility to scale and fully leverage the potential of digital revolution to satisfy stakeholders such as customers, employees, regulators, and partners.

However, traditional banks with legacy core banking platforms grapple with silos, code rigidity, and complexities. Even though their financial processes are automated and newer distribution channels are in place, legacy systems hinder adaptive flexibility to changing customer journeys and behavior, closed ecosystems, and vendor lock-ins. They also result in higher maintenance costs, slower GTM speed, and do not support instant releases.

Next-generation core banking platforms break down all the barriers that legacy systems impose. They accelerate digital transformation using modern, scalable and open architectures and lightweight codes. Leveraging APIs and advanced technologies like machine learning, core platforms deliver simplicity, cost efficiency, speed, interoperability, flexibility, security, and future readiness.

Benefits of next-gen CBS platforms

- Simplicity in scaling up
- Agile enough to accelerate new product launches
- Incredible go-to-market speed
- Onboarding and setting up happens in a few clicks
- Advanced security systems for data storage and fraud prevention management
- Centralized access to account aggregators, mobile and third-party applications, and more

Turing Core Banking System (CBS)

Our Turing Core Banking System (CBS) is a next-gen platform that focuses on customer experience, operational excellence, and security well within the regulatory framework. It is built on the latest micro-services architecture with low code and an API-first, cloud agnostic platform making it a modern and futuristic core banking system.

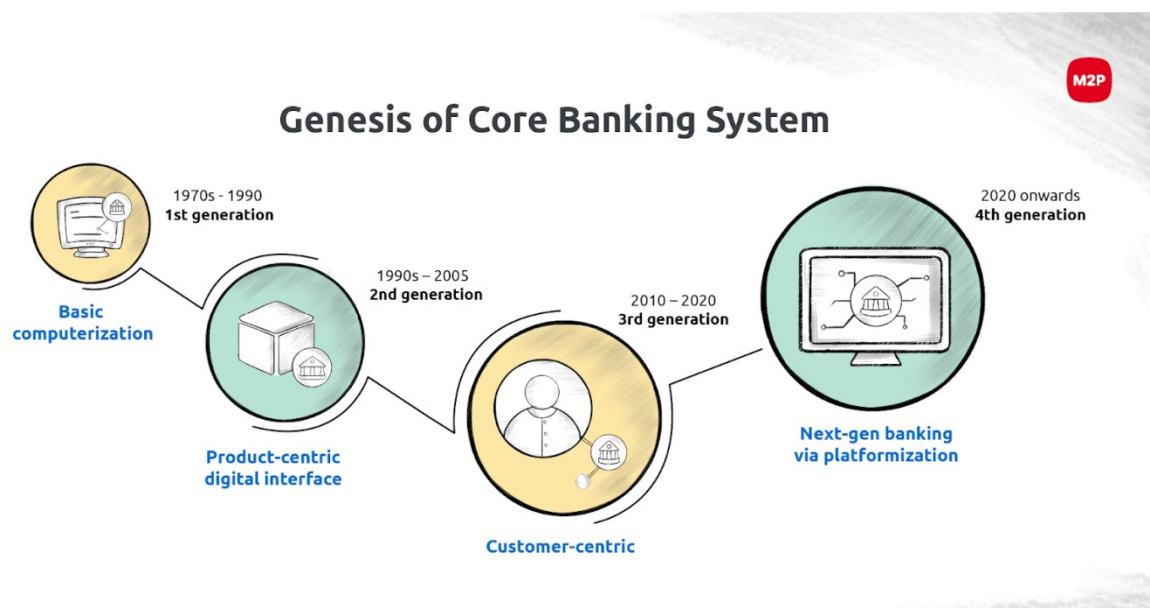
Unique features

- Speed of innovation (using AI and ML)
- Flexibility (low code capabilities)
- Agility (hyper-personalized products)
- Pre-integrated with Fraud Risk Management (FRM) engine

Furthermore, the primary vantage point of our 4th generation CBS is its ability to evolve and adapt to emerging trends in the financial industry.

But if we dial back a few years, this was not the scenario. Core Banking Systems had a humble beginning with rigid codes and basic computerizations. It evolved with advances in technology, product innovations, and customer requirements to be what it is today.

Ready to trace the history of core banking systems?



1st generation of Core Banking System (the 1970s to 1990) - Basic computerization

From 1970 to 1990 CBS began taking root in the banking industry. At its most primal form, the system functioned on basic computerization techniques and was developed in-house by most banks.

The 1st gen CBS used monolithic applications that were based on complex codes. The IT costs were quite high, and it offered only a few basic features like transaction execution, record-keeping, and customer data management. Sequential data were stored in silos, and transactions were processed in batches at the end of the day.

So, money transfers and payments could not be processed in real-time. The applications were accessible to users only during counter hours. The system was prone to data loss and was difficult to replace without causing a service disruption.

2nd generation of Core Banking System (1990s - 2005): Product-centric digital interface

From 1990 to 2005, CBS was in its product-centric avatar with a penchant for digital interfaces. The infrastructure developments were outsourced to external parties that focused on building a vibrant user interface for 24/7 access to banking services.

Software modules and a few subroutines were introduced to improve the flexibility of the code. But, even after several optimization trials, the code remained complex. This made processing large volumes of transactions tougher. And banking data were still organized in silos.

Client programs were slowly added even though the standards were still mainframes. Software that was previously accessible through branch networks now became available to customers at ATMs and payment terminals. But during maintenance, the system still faced prolonged service disruption.

3rd generation of Core Banking System (2010-2020): Customer-centric

2010 was the year 3rd generation CBS came into prevalence. It was a major leap from the yesteryear computerizations and product-centric interfaces. CBS became more customer-centric, and banks began building a digital layer to improve flexibility.

The first programming interfaces appeared, and the core banking software was accessible on the internet. The software architecture became less monolithic, and the system started to adapt to newer structures, such as Application Service Providers (ASPs) and Service-Oriented Architectures (SOAs).

On the user experience side, newer milestones were achieved, and now version changes could be performed in a shorter span of time. Truly graphic interfaces in HTML and Window pages were introduced.

The infrastructure was completely customer focused. But things started to change when the pandemic struck in 2020. Customer needs, expectations, journey, and touchpoints underwent a radical transformation.

Modern [core banking systems](#) came around to save the day. It kickstarted digital transformation in traditional banks and helped new-age banks accelerate next-gen customer experience. API-led core banking architectures enable banks to scale reliable and strong banking ecosystems with frictionless, rapid integrations.